#### **MONTGOMERY COUNTY'S**

# Local Small Business Reserve Program

## **Annual Report** ★ **Fiscal Year 2009**



DEPARTMENT OF GENERAL SERVICES
OFFICE OF BUSINESS RELATIONS & COMPLIANCE

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## **Executive Summary**

#### **Highlights**

The FY09 performance of Montgomery County's Local Small Business Reserve Program (LSBRP) improved over prior years.

In FY09, reserved contracts awarded through the LSBRP exceeded \$1 million for the first time. The number of solicitations reserved for participating vendors reached record levels. The economic downturn continued to present challenges to the commercial sector. New LSBRP legislation turned obstacles into opportunities by providing the County with new ways to support the local small business community.

- ★ The percentage of available dollars awarded to LSBRP vendors grew to 16.6 percent from 14.8 percent in FY08. This increase in LSBRP contracting was achieved during a period when the dollar value of eligible contracts declined by \$40 million.
- ★ The amount of contracts reserved and awarded to LSBRP vendors increased to the highest level ever—more than \$1.3 million in FY09 from \$370,000 in FY08.
- ★ Nineteen of 23 County departments obtained compliance by expanding their procurement opportunities for small businesses, making FY09 the most productive year on record.
- ★ Reserved solicitations in FY09 increased to 20, exceeding the number issued in all prior fiscal years.
- ★ The "No Vendor Deemed Qualified by Using Department" exemption was reduced by \$63,278,768.
- ★ The compliance goal was raised to 20% in the fourth quarter of FY09.

#### **Historical Perspective**

The roots of the LSBRP's FY09 success were planted when the program was launched on January 1, 2006. The LSBRP exists to foster the growth of County-based small businesses by expanding opportunities for those businesses to contract with government agencies. Under the enabling legislation, County agencies were required to award at least 10 percent of their available procurement dollars to local small businesses.

A partial reorganization of the County Government was implemented in 2008 by County Executive Isiah Leggett to create a more effective, efficient and responsive system. The LSBRP was one of four business programs consolidated in the newly established Department of General Services' (DGS) Office of Business Relations and Compliance (OBRC). The OBRC is responsible for the implementation of programmatic strategies and legislation to increase County contracting and subcontracting opportunities with Minority, Female and Disabled Person-Owned Businesses and local small businesses in Montgomery County. The OBRC also administers contractor compliance for the County's Living and Prevailing Wage programs to ensure livable wages for contracted workers.

#### **New Legislation**

On December 18, 2008, County Executive Leggett announced an 11- Point Plan to maintain and stimulate the vitality of the local business economy. In order to fully implement the 11-Point Plan, the County Executive and Council passed landmark legislation in the fourth quarter of the fiscal year.

As a result of the collaboration, two crucial legislative and regulatory advances were implemented:

- 1. On April 28, 2009, the County Council passed Bill 3-09 which strengthened the County's commitment to local small businesses by increasing the departmental spending goal with local businesses from 10 to 20 percent.
- 2. On April 30, 2009, the County Executive signed Montgomery County Executive Regulation 2-09, doubling the number of employees that could be employed by LSBRP vendors. This job-creating regulation preserves and expands local County job opportunities and increases the earning potential of area businesses.

#### **Office of Legislative Oversight (OLO)**

During FY09, the OLO initiated an evaluation of the LSBRP. While the evaluation was not completed in FY09, the analysis identified several weaknesses during the program's first two years of operation. Several of the OLO reporting recommendations were implemented and are in the Comparative Program Measurements section of this report.

#### **Future Considerations**

Because of the size and volume of the County's contracting obligations, LSBRP reserved solicitations will continue to grow during future recessionary periods as formal solicitations and other contracting opportunities are increasingly reserved for LSBRP vendors in the years ahead.

The 2009 legislative changes were only the first phase of an ongoing process review to increase LSBRP contracting. Additional considerations for future growth and success of the LSBPR include:

- ★ Transition from the LSBRP current proprietary database into the County's new Enterprise Resource Planning system
- ★ Acquisition of compliance software to track contracting statistics
- ★ Continued reductions in the exemption category under which no local business is understood to exist or is deemed unqualified to compete for business
- ★ Indentification of new contracting opportunities within the procurement regulations

#### **Program Challenges**

The LSBRP continues to be challenged by an outdated proprietary data collection system. The system places undue administrative burdens on departmental and agency personnel. Data entry is complex and time-consuming and the task is viewed as a major impediment by users. Reporting requirements are often assigned to staff with little or no contracting experience.

The program's second challenge is the absence of real time reporting on program performance. Currently, each department's purchase orders must be manually gathered and reviewed prior to data entry. Connecting contracts with purchase orders requires hundreds of manual entries. The current system does not allow automatic linking of relational data and requires manual manipulation of data that could easily be reconciled through automation.

#### **Innovations**

DGS' OBRC sought and received assistance from the Department of Technology Services (DTS) to complete its FY09 report. DTS resolved numerous data-related problems and incorporated the FY08 departmental reorganization of government. A major modification is that reporting data is now separated and viewable by fiscal year.

DGS' OBRC created a new website incorporating a variety of information including: company registration, current LSBRP solicitations, contracts awarded to LSBRP vendors and a resource library. The website has proven to be an effective interface with the business community and a resource for County personnel.

#### **OBRC Recommendations**

It is extremely important that the reporting requirements be redefined and organized in a manner that will yield the most useful information for the business community and the County. Reporting requirements should focus primarily on the three most important items to local businesses: the number of contracts reserved for LSBRP vendors, the dollars encumbered and the dollars awarded. On July 1, 2010, the County implemented the Enterprise Resoure Planning (ERP) System. Its purpose is to facilitate the flow of information between all internal business functions and manage the commitment to external business partners in a highly transparent manner. Program accomplishments are best tracked and reported using data extracted from the ERP System.

#### **Conclusion**

In FY09, effective legislation provided new goals, thresholds and the framework to increase the volume of contracts awarded by County departments through the LSBRP. The collaborative business partnerships established during OBRC's first year of oversight was a major contributor to the growth in reserved contracts. The County has increased reserved contracting by more than \$1 million in only one year.

The contracting commitments from several departments and aggressive targeted outreach will likely increase the LSBRP vendor base and contracting in FY10. In keeping with the County Executive's goal to build a strong and vibrant local economy, DGS' OBRC is committed to strengthening a working partnership with the local business community to provide innovation, effective programming and results that will benefit the County's small businesses for years to come.

# FY07-FY09 Comparative Program Measurements

LSBRP Eligible Contract Expenditures					
Expenditure Type	FY07 \$ in millions	FY08 \$ in millions	FY09 \$ in millions		
Eligible	\$59.6	\$80.1	\$40.2		

LSBRP Eligible Contracts Awarded to LSBRP Vendors						
FY07 FY08 FY09					09	
Recipient	\$ in millions	Percentage*	\$ in millions	Percentage*	\$ in millions	Percentage*
Non-LSBRP Vendors	\$48.2	80.8%	\$68.3	85.2%	\$33.5	83.33%
LSBRP Vendors	\$11.5	19.2%	\$11.8	14.8%	\$6.7	16.67%
Total	\$59.6	100%	\$80.1	100%	\$40.2	100%
* Percent of Total Award					I	

Advertised and Awarded to Registered LSBRP Busineses									
FY07 FY08 FY09									
Am	nount	Percentage*	# Contracts	Amount	Percentage*	# Contracts	Amount	Percentage*	# Contracts
Reserved Solicitations \$14 *Percent of Total LSBRP Awards	10,000	0.24%	4	\$370,000	0.52%	9	\$1,330,000	3.9%	20

Number of LSBRP Solicitations Issued, FY07–FY09					
	FY07	FY08	FY09		
Number of FORMAL Solicitation Issued	4	3	16		
Number of INFORMAL Solicitations Issued	0	6	4		
Total	4	9	20		

## **FY07-FY09**

## **Comparative Program Measurements**

Characteristics of Reserved Awards, FY07–FY09			
	FY07	FY08	FY09
Number of Awards	6	2	14
Number of Vendors	4	8	11

#### Number of Businesses That Newly Registered with the LSBRP, FY07-FY09

	FY07	FY08	FY09
Number of Businesses	334	333	387

Exempt	Contract	Expend	litures, i	- YU/-F	109

Exemption Category	FY07		FY08		FY09	
	\$ in millions	Percent	\$ in millions	Percent	\$ in millions	Percent
Pre-existing contract	\$408.0	42.5%	\$381.2	42.1%	\$224.6	23.40%
No local small business deemed qualified	\$283.9	29.6%	\$285.5	31.6%	\$222.4*	23.17%
Non-competitive contract	\$117.0	12.2%	\$131.7	14.6%	\$104.8	10.92%
Public emergency procurement	\$107.6	11.2%	\$32.4	3.6%	\$75.6	7.87%
Conflicts with law or a grant	\$37.8	3.9%	\$46.3	5.1%	\$48.0	5.00%
Chief Administrative Officer waiver	\$5.2	0.5%	\$2.1	0.2%	\$1.5	0.15%
Procurements exceeds \$10 million	\$0.2	0.0%	\$25.5	2.8%	\$242.7**	25.29%
Total	\$959.5	100%	\$904.8	100%	\$919.5	100%

<sup>\*</sup>No local small business deemed qualified exemption was reduced \$62 million.

<sup>\*\*</sup> Procurements exceeded \$10 million exemption grew \$100 million due to large construction projects such as the Silver Spring Transit Center and Silver Spring Civic Building, and technology projects including the Enterprise Resource Planning (ERP).

## FY07-FY09 Comparative Program Measurements

Departmental Compliance with LSBRP Requirements, FY07–FY09						
	FY07	FY08	FY09			
Departments meeting requirement	18	16	19			
Departments not meeting requirement	7	6	4			
Total departments with eligible procurements	25	22	23			

LSBRP-Reserved Solicitation Payments, FY07–FY09						
	FY07	FY08	FY09			
Number of Vendors	4	8	11			
Maximum Amount Received by Vendor	\$37,612	\$115,000	\$815,000			
Minimum Amount Received by Vendor	\$7,540	\$3,000	\$8,870			
Average Amount Received by Vendor	\$35,538	\$46,438	\$120,644			
Median Amount Received by Vendor	\$42,360	\$18,409	\$25,000			

ALL Payments to LSBRP Vendors, FY07–FY09						
	FY07	FY08	FY09			
Number of Vendors	101	89	61			
Maximum Amount Received by Vendor	\$1.975 million	\$2.116 million	\$1.979 million			
Minimum Amount Received by Vendor	\$118	\$325	\$177			
Average Amount Received by Vendor	\$112,271	\$132,820	\$109,450			
Median Amount Received by Vendor	\$25,000	\$50,000	\$62,996			

# Summary of FY09 Data and Procurement Activities

The report is presented in a format that provides comparative data for analysis of FY07, FY08 and FY09. This report represents full data collection. Some relational data have been combined into one chart to allow a comprehensive evaluation of the impact of the statistics upon each other.

#### **FY09 LSBRP Procurements**

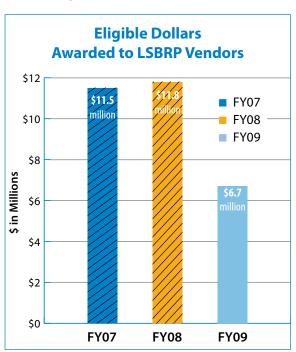
- ★ In FY09, a total of 295 procurement transactions were attributed to local small businesses, representing \$6,612,173 in contract dollars.
- ★ A discernable spending pattern has not been identified. This is attributed to scaled back County spending caused by economic restrictions or savings plans.
- ★ Note: FY07 and FY08 data was compiled from records maintained by each department which varied greatly in detail, making accuracy of the results approximate at best.

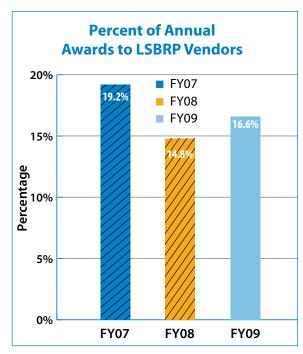
	FY 07	FY 08	FY09
Has the County met the Local Small Business Reserve Program (LSBRP) requirement?	Yes	Yes	Yes*
Percentage of County agencies' available procurement dollars awarded to local small businesses	21.40%	14.25%	16.6%
Number of procurement transactions awarded to local small businesses	433	404	295
Value of procurement dollars awarded to local small businesses	\$11,482,588	\$11, 821,022	\$6,675,202.68

<sup>\*</sup> The goal was raised to 20% in the fourth quarter of 2009. The LSBRP spending for the year was 16.6%.

## **Program Results**

#### **County Contracts Awarded to LSBRP Vendors**



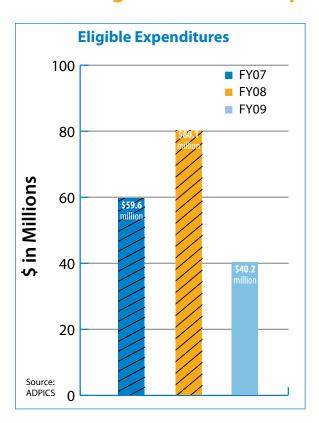


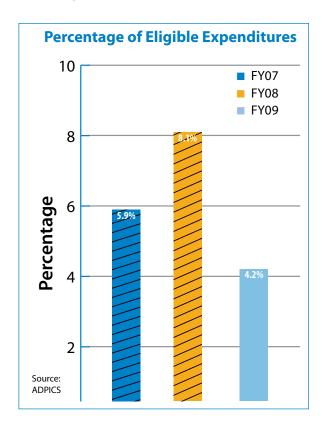
The percentage of eligible dollars awarded to LSBRP vendors grew from 14.8% in FY08 to 16.6% in FY09 during a period eligible dollars declined by more than \$40 million.

Value of County Contracts						
	FY	07	FY	08	FY	09
Portion Awarded	\$ in millions	Percent	\$ in millions	Percent	\$ in millions	Percent
to LSBRP Vendors	\$11.5	19.7%	\$11.8	14.8%	\$6.7	16.6%

## **Program Results**

## **LSBRP Eligible Contract Expenditures, FY07–FY09**

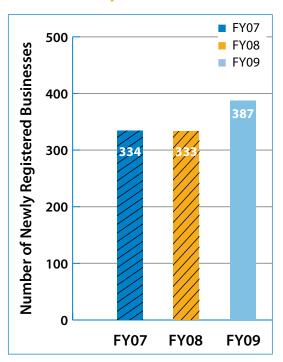




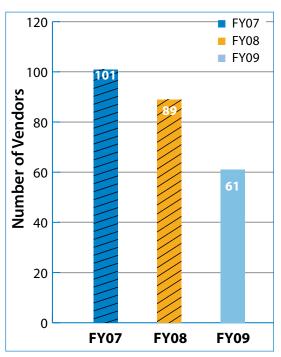
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Eligible	\$59.6	5.9%	\$80.1	8.1%	\$40.2	4.2%

## **Program Results**

# Newly Registered with the LSBRP, FY07-FY09



# Characteristics of ALL Awards to LSBRP Vendors, FY07-FY09

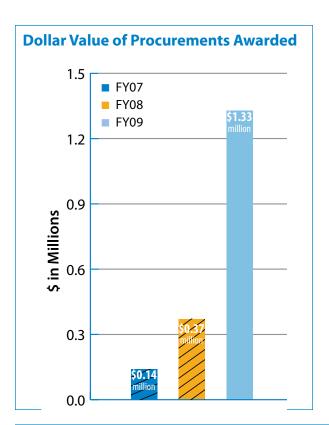


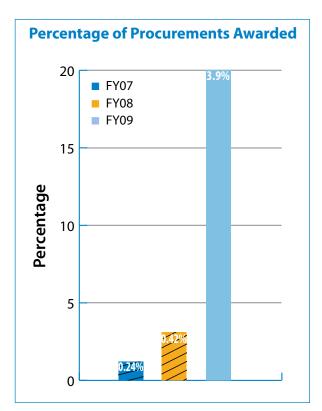
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	FY07	FY08	FY09	
Number of Businesses	334	333	387	

Characteristics of ALL Awards to LSBRP Vendors, FY07–FY09				
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## **Program Results**

# Advertised and Awarded to Registered LSBRP Businesses, FY07–FY09

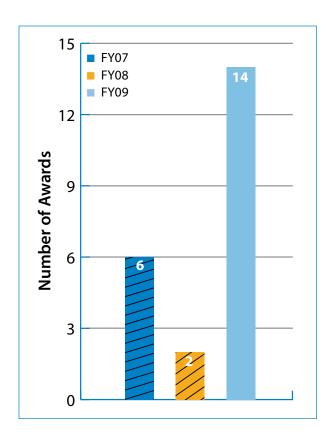


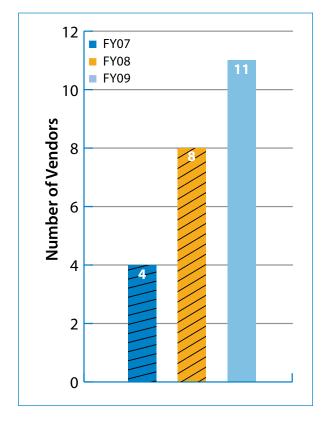


Advertised and Awarded to Registered LSBRP Busineses				
	FYO7 Dollar Amount	FY08 Dollar Amount	FYO9 Dollar Amount	
Reserved	\$140,000	\$370,000	\$1.33 million	

## **Program Results**

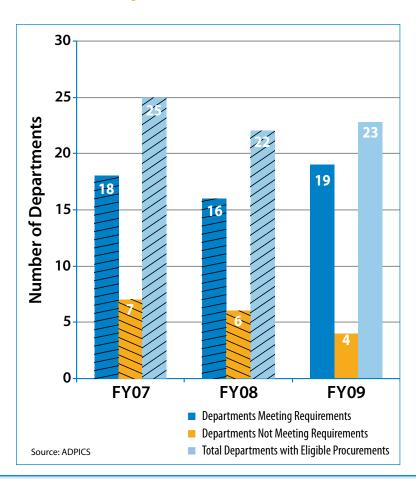
# **Characteristics of Reserved Awards to LSBRP Vendors, FY07–FY09**





## **Program Results**

## **Departmental Compliance with LSBRP Requirements, FY07–FY09**



	FY07	FY08	FY09
Departments meeting requirement	18	16	19
Departments not meeting requirement	7	6	4
Total departments with eligible procurements	25	22	23

## **Program Results**

## **LSBRP Department Goals and Dollars**

FY09					
AGENCY	LSBRP	DOLLAR AMOUNT			
Circuit Court	100.0%	\$38,820			
Department of Fire/ Rescue Services	100.0%	\$64,542			
Department of Homeland Security	100.0%	\$10,000			
Office of the County Council	100.0%	\$103,000			
Department of General Services	98.6%	\$995,000			
Department of Housing and Community Affairs	87.1%	\$235,536			
Department of Transportation	81.6%	\$234,373			
Department of Environmental Protection	75.8%	\$1,896,148			
Office of Human Resources	61.2%	\$25,000			
Department of Liquor Control	46.4%	\$182,000			
Department of Economic Development	36.9%	\$119,367			
Board of Appeals	36.5%	\$63,030			
Department of Police	26.0%	\$831,900			
Office of Management and Budget	21.6%	\$20,960			
Office of the County Sheriff	19.1%	\$176,680			
Department of Correction and Rehabilitation Services	14.8%	\$516,901			
Department of Public Libraries	12.8%	\$10,000			
Department of Recreation	12.4%	\$329,287			
Department of Finance	10.2%	\$133,262			
Department of Health and Human Services	4.4%	\$707,460			
Regional Service Centers	3.4%	\$21,000			
Office of Zoning and Administrative Hearings	0.0%	\$0			
Office of Public Information	0.0%	\$0			

Departments meeting the 10% Goal during first three (3) quarters of FY09. The 20% Goal was implement during the fourth quarter of the fiscal year.

19 Departments

## **Issues and Recommendations**

#### A. Proposed Actions to be Taken in FY10

The LSBRP has demonstrated consistent performance in the face of economic challenges. The best way to mitigate the challenges is to act aggressively and re-engineer business practices. Increasing small business prosperity during both an economic downturn and reduction in County spending will require innovative thinking and programming.

The Office of Business Relations and Compliance has identified several future initiatives to stimulate small business growth in the LSBRP. It is very important for the county be viewed as a valued resource to small businesses.

#### **Proposed Actions**

#### **Targeted Outreach, Business Alliances and Advocacy Efforts:**

- ★ Unbundle large contracts to identify opportunities for LSBRP vendors
- ★ Schedule meetings with businesses and associations (professional and trade) to help vendors prepare for the new opportunities
- ★ Arrange opportunities for local LSBRP vendors to meet with area prime contractors
- ★ Target recruiting of vendors in anticipation of upcoming solicitations
- ★ Organize small business training sessions on a variety of topics including:
  - -- How to Do Business with the County (LSBRP)
  - -- Selecting the Correct Commodity Codes
  - -- Meet the Department Heads, Buyers or Contract Administrators
- ★ Leveraging to encourage large prime contractors to create subcontracting or mentoring opportunities with LSBRP certified vendors
- ★ Develop a reliable procurement-forecasting tool

- ★ Conduct departmental forums with vendors to explain how the contracting process works for each type of business
- ★ Develop and publish predictable procurement solicitation schedules
- ★ Provide periodic networking opportunities for businesses

## B. Legislative, Regulatory and Administrative Procedures Review

Small businesses face many artificial barriers as a result of regulatory criteria designed to prevent problems for dealing with much larger businesses. Some of the barriers include standard boilerplate language, insurance, bonding, and compliance issues. In many instances the small business owner must encounter added expense and lost productivity in order to respond to solicitation requirements.

#### **Proposed Actions**

Many eligible vendors chose not to register because the process is time consuming and does not assure the likelihood of a contract.

- ★ Encourage departments to use the open solicitation method and encourage multiple contract awards
- ★ Explore reciprocal agreements with other governmental agencies and private organizations. Obtaining multiple certifications is expensive and time consuming for small businesses
- ★ Legislation and regulatory reviews must be conducted to streamline the procurement process
- ★ Increase the pool of contractable vendors
- ★ Obtain departmental commitments to the LSBRP

### C. Site Visits, Meetings & Referrals

The LSBRP in order to attract and retain vendors must be seen as an avenue to business vitality and sustainability. The current hostile business climate has forced many business for the first time to seek governmental opportunities. Therefore, the LSBRP strategic business plan must be modified to meet the small business community proactively.

#### **Proposed Actions**

#### Provide more effective outreach and interactive opportunities:

- ★ Familiarize businesses with the County way of conducting business.
- ★ Meet with small business owners on a regular basis. The meetings help to update information, learn about business needs, and allow owners to acquire knowledge.
- ★ Meet with businesses at their location or where they gather.
- ★ Participate in local trade and professional meetings
- ★ Facilitate meaningful business interactions for LSBRP vendors with the County and private sector businesses.
- ★ Provide information on navigating the certification, vendor registration, licensing, and other processes.
- \* Assist the county's contract administrators and businesses in a timely, professional and quantifiable manner
- ★ Identify and recruit prospective vendors from outreach initiatives and referrals into the program